

ICM



Designing an innovative
way for financing SMEs
through Sukuk issuance



سازمان بورس و اوراق بهادار
SECURITIES & EXCHANGE ORGANIZATION

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Developing Islamic Capital Markets to Converge the Ummah

Advantages of market-based financing for SMEs



ADVANTAGE

Increasing the resilience of SMEs against economic shocks

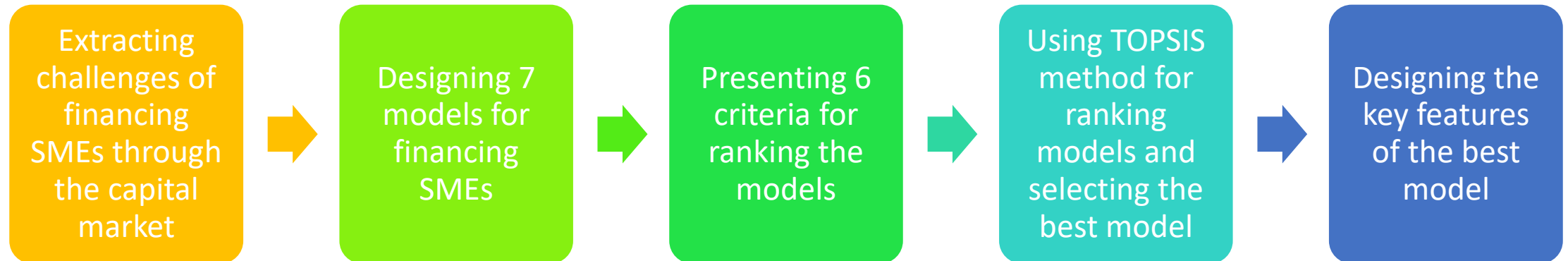
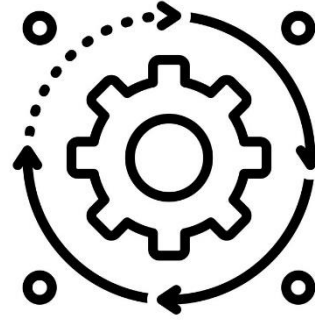
Reducing the dependence of SMEs on bank loans

Providing the right opportunity to increase the financing share of SMEs in the country

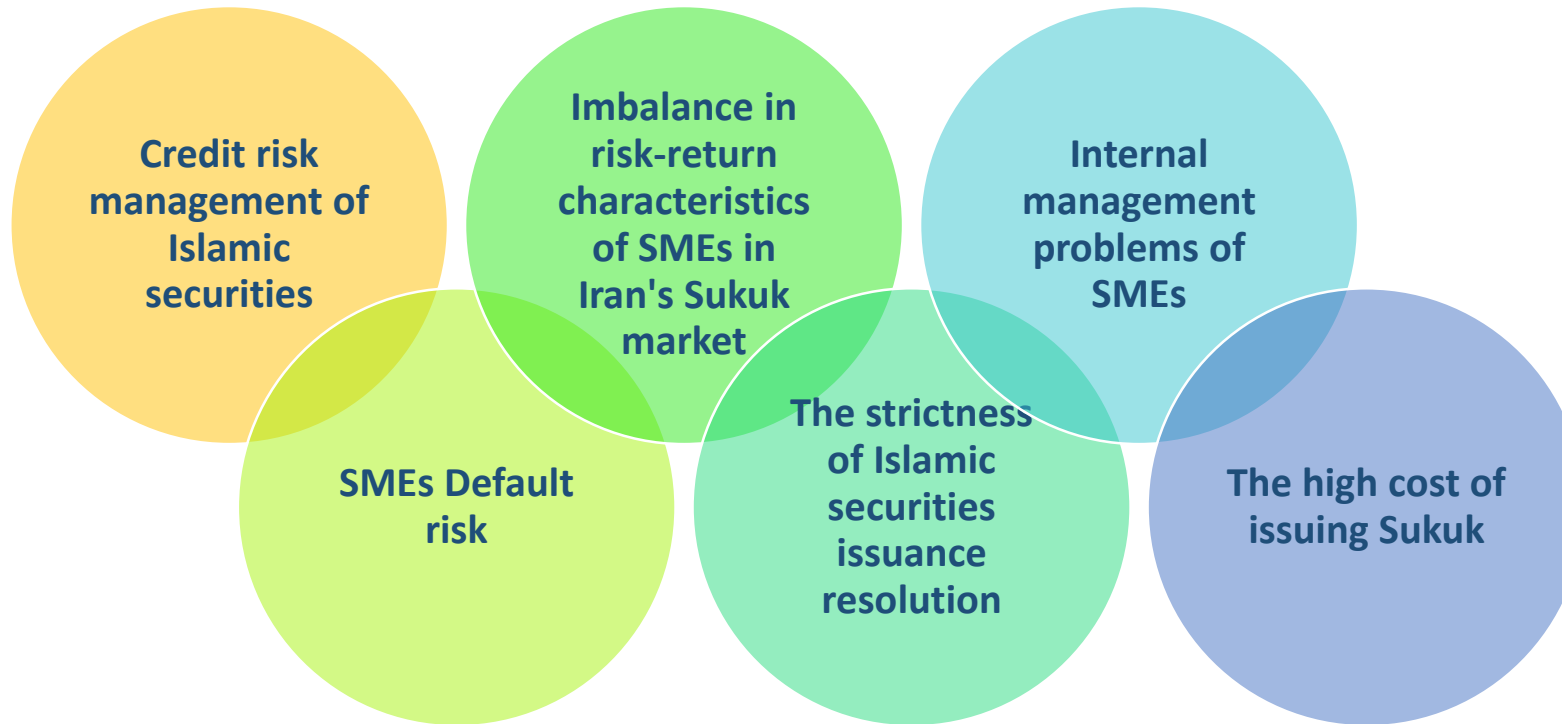
Portfolio diversification

Increasing the connection between the financial sector and the real sector of the economy

Method



Challenges of SMEs for issuing Sukuk



Designing SME Sukuk model

- Considering the mentioned challenges of financing SMEs, There should be a financial intermediary between investors and SMEs. This intermediary issues Sukuk on behalf of SMEs. the benefits of having an intermediary are:



Ease of access to a guarantor



Possibility of using intermediary's assets as collateral of Sukuk



Ease of credit rating assessment of originator



Ease to implement the requirements of issuing Sukuk



cost efficiency

Cost-effectiveness for scaling the Sukuk issuance

Choosing the appropriate Sukuk model for financing SMEs

- ✓ **compatibility with the medium-term to long-term time horizon of the applicants**
- ✓ **Uncomplicated Sukuk structure**
- ✓ **Flexibility in using the proceeds**
- ✓ **No need for underlying assets**
- ✓ **Possibility of extending Sukuk maturity**
- ✓ **Possibility to use the model in different sectors**

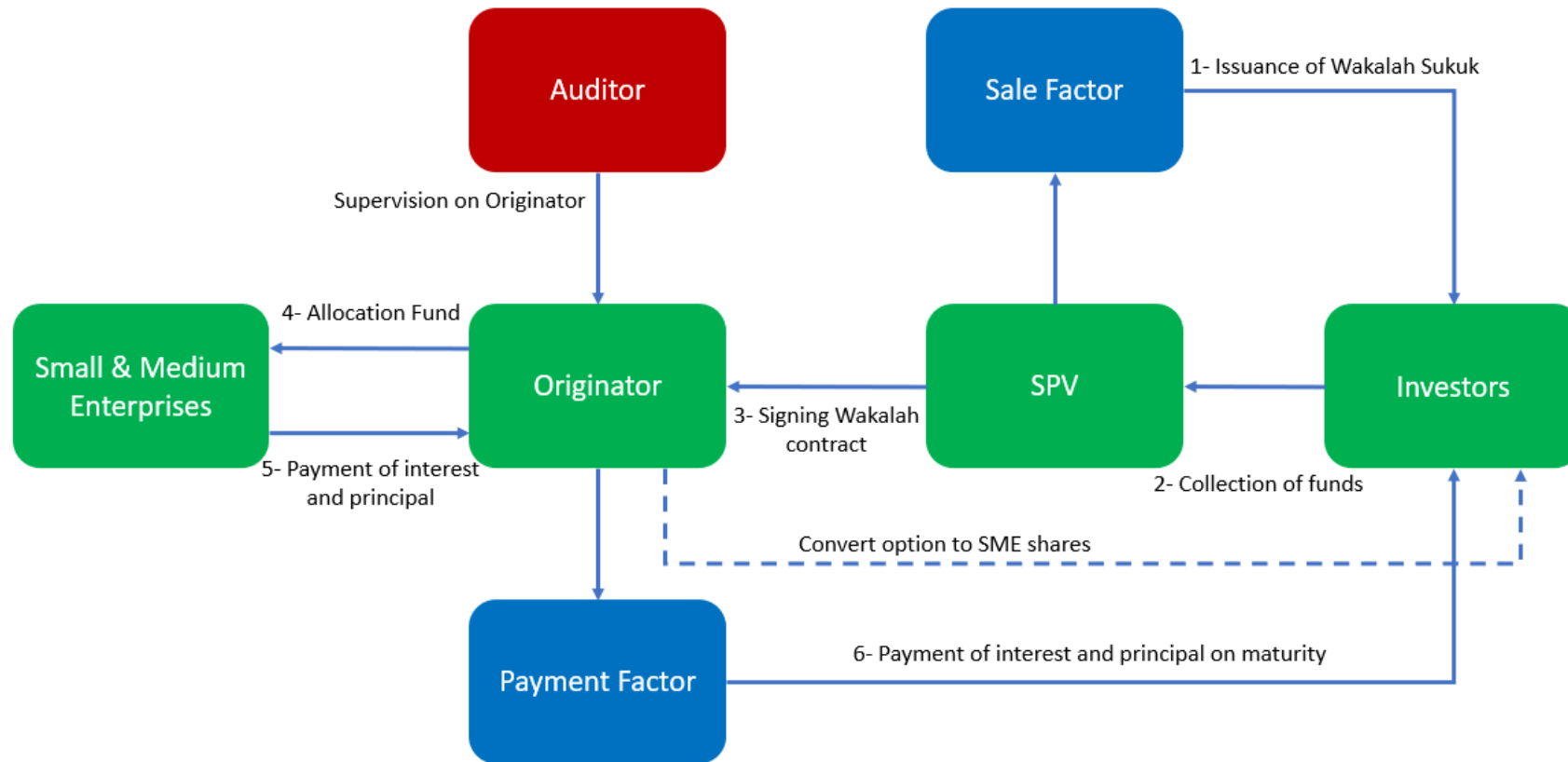


Criteria

The result of TOPSIS model

Type of Sukuk	similarity index	rank
Tawaruq	0.401719	5
Ijarah	0.557626	4
Musharaka	0.831844	2
Manfaat	0.629983	3
Salam	0.132747	7
Wakalah	1	1
Bay' al-dayn	0.27495	6

Wakalah sukuk to finance SMEs



Profit management in SME Wakalah Sukuk



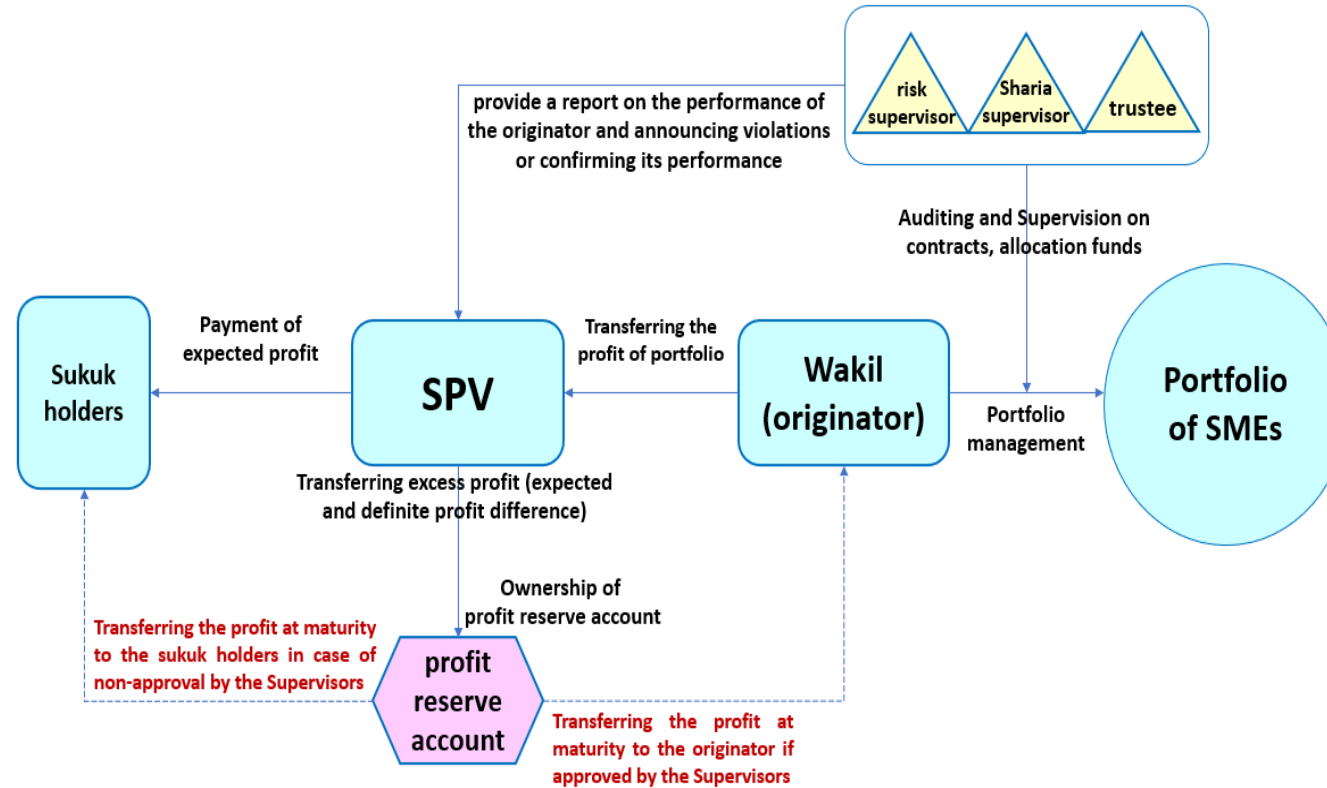
Compensation
for the profit
deficit

- Donation of the profit deficit by the originator to the sukuk holders
- Obligation for the originator to purchase the underlying assets at a certain price
- Profit guarantee by a third party

Creating a
profit reserve
account

- Motivating Wakil to earn profit
- Ensuring and smoothing the periodic payment

Profit Reserve Account Mechanism



Construction of SME's portfolio by Wakil and its reporting

- Report characteristics of investment (Construction of SME's portfolio by Wakil and its reporting)
- Not to use profit-loss sharing contract

Monitoring the performance of the originator

- Trustee's participation in the budgeting process
- Increasing the skin in the game.



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Attention